



Economic Impact of Nonprofit Arts Organizations in Maryland FY 2009

Summary

This report highlights the economic impact of the nonprofit arts organizations and programs that received operating support from the Maryland State Arts Council (MSAC) in FY2009. The industry continues to provide significant employment and generate substantial tax revenues.

Economic Impact of Arts Organizations:

- 242 arts organizations were surveyed in FY 2009.
- The arts organizations generated \$231 million in direct spending on goods and services.
- The arts organizations generated \$96 million in direct salaries and fringe benefits.
- The arts organizations reported a total of 1,229 full-time employees and 3,279 part-time employees.

Economic Impact of Visitor Spending:

- The arts organizations reported that 8.8 million people attended arts events, classes and workshops.
- The 8.8 million visitors are estimated to have generated \$339 million in direct spending on goods and services, 4,996 direct jobs and \$110 million in salaries.

Economic Impact including Operations and Visitor Spending:

- Arts organizations generated a total \$570 million in direct spending and a total economic impact of \$1.14 billion.
- 12,022 total full-time equivalent jobs and \$426 million in salaries were generated by arts organizations in FY 2009.
- The arts organizations generated \$41.4 million in state and local taxes in FY 2009.

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Introduction

The arts play an important role in the quality of life Maryland offers its residents and visitors. Since the arts make our cities and communities better places to live and work, they are often an important factor used by businesses in their decision to locate in Maryland. In addition to their contributions to quality of life in the state, the arts comprise an industry that also generates economic benefits. The arts industry, as defined in this report, includes non-profit organizations that receive funding from MSAC. This analysis is based on detailed Fiscal Year 2009 data, utilizing Maryland Cultural Data Project data supplied by the grant recipients receiving ongoing support of their operations and programs in Maryland. These organizations comprise the Council's general operating grant category for arts organizations, and arts program category for non-arts organizations with ongoing arts activities, as well as the 24 designated arts councils in the 23 counties and Baltimore City. The non-profit entities, while not the entire arts industry, clearly are at the core of arts activities in Maryland. Though there are some for-profit theatrical concerns and other enterprises in Maryland, these are not included in this analysis, as they are not directly supported by the Maryland State Arts Council.

These non-profit organizations are grouped into three broad categories: performing arts, visual arts, and multidisciplinary arts organizations. The performing arts organizations include all non-profit institutions engaged in theatrical, dance, music, and opera productions. The visual arts organizations consist of all institutions involved in gallery and museum operations, photography, design and film-making activities. The multidisciplinary arts activities consist of all organizations that produce festivals, radio and television programs, folk arts and other institutions that are engaged in more than one type of artistic activity. The multidisciplinary arts organizations also include a diverse group of institutions that provide assistance to other artistic activities, e.g., arts and artists' associations, fund-raising organizations, publishing and local arts agencies.

The report also provides impact analysis on a regional basis, drawing on the regional definitions used by the MSAC. The six regions are: Western (Allegany, Garrett and Washington counties); Central (Anne Arundel, Baltimore, Carroll, Cecil, Harford, and Howard counties and Baltimore City); Capital (Frederick, Montgomery, and Prince George's counties); Southern (Calvert, Charles and St. Mary's counties); Upper Eastern Shore (Caroline, Kent, Queen Anne's and Talbot counties); and Lower Eastern Shore (Dorchester, Somerset, Wicomico and Worcester counties). The Central region is the largest, with nearly 48 percent of the state's population, followed by the Capital region with 36 percent. The rest of the state, including the Western and Southern regions and the Eastern Shore comprises 16 percent of the population.

The economic impact of the arts is estimated separately for each sub-state region and for the state as a whole. The impact is measured in terms of the arts industry's annual contribution to the economy's output, employment, payroll and tax revenues. Total annual economic and fiscal impacts are the sum of transactions and activities at the arts events site, the impact of Maryland suppliers to the event-related activities, and the concurrent spending of increased payrolls in Maryland.

Arts Organizations in Maryland

According to the Maryland State Arts Council, 242 Maryland non-profit organizations provided arts products and services in FY 2009 (Table 1). About 50 percent of these organizations, or 123 establishments, were engaged in performing arts activities. The visual arts make up about 11 percent of the organizations surveyed, with 26 establishments. Finally, the multidisciplinary arts organizations, represented by 93 establishments, comprised the remaining 39 percent of the Maryland's arts industry in 2007. The Central region had the largest concentration of the non-profit arts organizations (51 percent of all organizations), followed by the Capital region (28 percent), Upper Eastern Shore (7 percent), Western Maryland (6 percent), Lower Eastern Shore (4 percent), and Southern Maryland (4 percent). Based on population, there are approximately 4.2 organizations per 100,000 in the state, with larger concentrations per population base in the Eastern Shore region and Western Maryland.

Annual Operating Income of Non-Profit Arts Organizations

Arts organizations reported total income of \$169 million in FY 2007 (Table 2). About 24 percent was earned revenue from various program activities including events, classes, touring, sponsorships, subscriptions, etc. Federal, state and local government grants amounted to about 29 percent of total income. Finally, other support from foundations, corporations and individual contributions represent the remaining 47 percent. The arts organizations of the Central and Capital region reported the largest operating income, with 90 percent of total income reported by all arts organizations. The arts organizations of all other regions accounted for the remaining 10 percent of the operating income.

Employment at Maryland's Arts Organizations

In FY 2009, arts organizations reported 4,500 full-time and part-time employees in Maryland. Table 3 summarizes the distribution of paid personnel by region and by type of occupation. The arts organizations reported that 27 percent of employees were full-time, and mostly management positions. Part-time artistic positions made up 73 percent of the paid employment. The arts organizations of the Central region reported 55 percent of the state's total arts employment and the Capital region accounted for 39 percent of the arts employment.

Annual Operations Expenditures of Arts Organizations

Expenditures by non-profit arts organizations were estimated to total \$230 million in FY 2009. The distribution of annual operating expenditures of Maryland arts organizations by region and by type of activity is highlighted in Table 4. The average operating budget for non-profit arts organizations in the state is \$950,000 and ranges from \$150,000 in Southern Maryland to \$1.17 million in the Washington region.

Economic Impact of the Arts Industry

To estimate the economic impact of the arts industry, only spending that occurs in Maryland has been included. The economic impact is measured in terms of additional output or sales, employee income and employment generated in Maryland resulting from: 1) annual operating expenditures of the arts organizations, and 2) annual expenditures of the arts audience occurring outside the arts organizations. The direct economic impact also includes corresponding direct employee income and employment generated by the arts

organizations and their visitors. To avoid double counting of the economic impact, all audience expenditures that take place inside the arts organizations, and are therefore included in the annual operating budget of these organizations, are excluded from the analysis.

The direct expenditures associated with the annual activities of the arts organizations generate substantial secondary economic benefits in Maryland. Secondary impacts include both indirect and induced economic activities generated statewide in response to those initial expenditures. The indirect impact is generated by Maryland industries supplying the input needs of the local vendors selling directly to the arts organizations and their audience. The induced impact results from the increased demand created by the employees of the arts industry and the employees of its suppliers spending their incomes in Maryland. The total economic impact of the arts industry is the sum of direct and all secondary economic impacts. In this report, the impact on employment is represented in terms of annual full-time equivalent jobs. Therefore, in all impact tables, part-time jobs have been converted into full-time equivalents.

Arts Organizations

The **direct** economic impact of arts organizations corresponds to the operating expenditures and salaries paid by the organizations. Direct employment impact is expressed in terms of full-time equivalent jobs. The direct impacts distributed by region are presented in Table 5. In FY 2009, expenditures by the arts organizations directly generated approximately \$231 million in gross sales, \$96 million in employee income and about 2,500 full-time equivalent jobs. Performing arts organizations generated 40 percent of the total impact from operations, and multidisciplinary arts another 39 percent.

The **total** economic impact of arts organizations includes the direct and secondary impacts. The total impacts distributed by category and region are presented in Table 6. In FY 2009, expenditures by these arts organizations generated approximately \$483 million in gross sales, \$208 million in employee income and about 4,500 full-time equivalent jobs.

Arts Audience

Visitors to Maryland's non-profit arts organizations generate significant economic impacts for the state. In FY 2009, an estimated 8.8 million people visited the non-profit arts organizations surveyed by MSAC. The audiences for multidisciplinary arts organizations averaged 5.3 million and accounted for nearly 60 percent of the arts audiences statewide, with 68 percent of those audiences attending free events. Performing arts organizations drew roughly 19 percent of the arts audiences (about 1.7 million visitors), with 73 percent of those audiences attending paid events. The visual arts organizations accounted for the remaining 21 percent of the arts audiences statewide (1.9 million visitors), with over 90 percent of audiences attending free events. The distribution of the arts audiences in Maryland by region is highlighted in Table 7. The Washington region accounted for the bulk of the arts audience in Maryland. The second largest arts audience was generated by the arts organizations in the Central region.

Based on the number of visitors to Maryland's non-profit arts organizations, DBED estimated spending of \$339 million on lodging, transportation, restaurants, gifts, and other travel-related incidentals in FY 2009. These expenditures in turn generate about \$109 million in direct employee income and nearly 5,000 direct jobs statewide. Table 9

summarizes the **total** economic impact of the arts audience in Maryland by region. In FY 2009, visitors to Maryland's non-profit arts organizations generated a total of \$657 million in gross sales statewide. These expenditures generated about \$218 million in total employee income, and about 7,400 full-time equivalent jobs.

Arts Industry

The economic impact of the arts industry as a whole combines the impacts of both arts organizations and arts audiences. Arts audience expenditures account for a large portion of the industry impact, generating 62 percent of the total jobs, 58 percent of the sales and 51 percent of salaries. The **total** economic impact of the arts industry, which is the sum of the total impacts by arts organizations and arts audience, is presented in Table 10. In FY 2009, the arts industry generated approximately \$1.14 billion in total gross sales, about \$426 million in total employee income, and about 12,000 full-time equivalent jobs statewide.

Multidisciplinary arts organizations generated the largest total economic impact – an annual average of \$589 million in gross sales, \$198 million in employee income, and about 5,100 full-time equivalent jobs statewide. The performing arts industry generated average sales of \$320 million, \$134 million in employee income, and about 3,650 full-time equivalent jobs statewide per year. Finally, visual arts organizations generated an average of \$231 million in gross sales, \$95 million in employee income and about 1,900 full-time equivalent jobs.

Fiscal Impact of the Arts Industry

The employment and income generated by the arts industry translate into revenues for the state. The fiscal impact, or tax impact, represents annual state retail sales tax and personal income tax receipts from the expenditures generated at all levels—direct, indirect, and induced—by the artistic activities of Maryland's non-profit arts organizations. The fiscal impact also includes local receipts from the personal income surtaxes. State retail sales tax receipts include tax revenues from direct expenditures generated by the events held at the arts organizations. These expenditures include monies spent on lodging, food and beverages, transportation, and all other event related expenses by the arts audience. In addition, state retail sales tax receipts comprise tax revenues generated by the employees of the arts organizations and the employees of all other supporting businesses spending their disposable incomes on taxable goods and services in Maryland.

Table 11 highlights the **direct, indirect and total** fiscal impact of the arts industry in Maryland. Overall, Maryland's non-profit arts organizations directly generated an estimated \$26 million in selected annual state and local tax revenues in FY 2009. Including indirect effects, these organizations generated \$41.4 million was in state and local taxes in FY 2009.

Table 1: Number of Non-Profit Arts Organizations, FY 2009

| Region | Multidisciplinary Arts | Performing Arts | Visual Arts | Total |
|---------------------|-------------------------------|------------------------|--------------------|--------------|
| Central | 39 | 71 | 14 | 124 |
| Lower Eastern Shore | 3 | 3 | 3 | 9 |
| Southern | 4 | 5 | - | 9 |
| Upper Eastern Shore | 7 | 8 | 1 | 16 |
| Washington | 32 | 30 | 7 | 69 |
| Western | 8 | 6 | 1 | 15 |
| Total | 93 | 123 | 26 | 242 |

Table 2: Revenues of Arts Organizations, FY 2009

| Region | Earned Revenue | Government Support | Other Support | Total Revenues |
|---------------------|-----------------------|---------------------------|----------------------|-----------------------|
| Central | 5,051,404 | 31,292,794 | 39,962,292 | 76,306,490 |
| Lower Eastern Shore | 1,025,777 | 1,082,525 | 1,373,763 | 3,482,065 |
| Southern | 470,178 | 360,049 | 529,152 | 1,359,379 |
| Upper Eastern Shore | 2,211,756 | 903,331 | 4,319,756 | 7,434,843 |
| Capital | 31,825,228 | 13,986,608 | 30,955,599 | 76,767,435 |
| Western | 359,994 | 1,130,134 | 2,523,906 | 4,014,034 |
| Total | 40,944,337 | 48,755,441 | 79,664,468 | 169,364,246 |

Table 3: Number of Paid Personnel of Arts Organizations, FY 2009

| Region | Operations Full time | Artistic Full time | Operations Part time | Artistic Part time |
|---------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| Central | 650 | 108 | 1,043 | 669 |
| Lower Eastern Shore | 17 | 0 | 21 | 0 |
| Southern | 3 | 0 | 10 | 0 |
| Upper Eastern Shore | 24 | 0 | 14 | 0 |
| Capital | 372 | 24 | 1,181 | 196 |
| Western | 31 | 0 | 48 | 97 |
| Total | 1,098 | 131 | 2,317 | 962 |

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2009,
Department of Business and Economic Development Office of Research
Note: FTE denotes full-time equivalent jobs.

Table 4: Operating Expenditures of Arts Organizations, FY 2009

| Region | Programs | Fundraising | General | Total |
|---------------------|--------------------|--------------------|-------------------|--------------------|
| Central | 89,372,180 | 8,573,282 | 36,022,351 | 133,967,813 |
| Lower Eastern Shore | 1,872,836 | 72,625 | 1,146,989 | 3,092,450 |
| Southern | 1,052,913 | 22,853 | 280,167 | 1,355,933 |
| Upper Eastern Shore | 4,116,749 | 430,448 | 1,204,928 | 5,752,125 |
| Capital | 59,741,185 | 5,346,548 | 16,187,677 | 81,275,410 |
| Western | 2,830,968 | 252,061 | 2,056,011 | 5,139,040 |
| Total | 158,986,831 | 14,697,817 | 56,898,123 | 230,582,771 |

Table 5: Direct Economic Impact of Arts Operations, FY 2009

| Region | Gross Sales | Employee Income | Employment FTE Jobs |
|---------------------|--------------------|------------------------|----------------------------|
| Central | 133,967,813 | 59,318,703 | 1,680 |
| Lower Eastern Shore | 3,092,450 | 1,095,327 | 21 |
| Southern | 1,355,933 | 225,268 | 3 |
| Upper Eastern Shore | 5,752,125 | 1,494,137 | 21 |
| Capital | 81,275,410 | 31,372,919 | 763 |
| Western | 5,139,040 | 2,421,594 | 62 |
| Total | 230,582,771 | 95,927,948 | 2,549 |

Table 6: Total (Direct and Indirect) Impact of Arts Operations, FY 2009

| Region | Gross Sales | Employee Income | Employment FTE Jobs |
|---------------------|--------------------|------------------------|----------------------------|
| Central | 279,301,964 | 129,109,507 | 2,834 |
| Lower Eastern Shore | 6,556,691 | 2,334,372 | 48 |
| Southern | 2,744,890 | 471,577 | 14 |
| Upper Eastern Shore | 11,790,520 | 3,147,031 | 69 |
| Capital | 172,221,125 | 67,662,485 | 1,482 |
| Western | 10,658,788 | 5,235,809 | 105 |
| Total | 483,273,979 | 207,960,781 | 4,552 |

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2009,
Department of Business and Economic Development Office of Research
Note: FTE denotes full-time equivalent jobs.

Table 7: Arts Audience, FY 2009

| Region | Multidisciplinary | Performing Arts | Visual Arts/Design | Total |
|---------------------|--------------------------|------------------------|---------------------------|------------------|
| Central | 2,128,956 | 971,435 | 613,842 | 3,714,233 |
| Lower Eastern Shore | 32,905 | 6,650 | 18,220 | 57,775 |
| Southern | 5,480 | 58,785 | - | 64,265 |
| Upper Eastern Shore | 142,978 | 26,692 | 74,810 | 244,480 |
| Washington | 2,882,349 | 541,925 | 1,063,540 | 4,487,814 |
| Western | 96,619 | 98,026 | 50,764 | 245,409 |
| Total | 5,289,287 | 1,703,513 | 1,821,176 | 8,813,976 |

Table 8: Direct Economic Impact of the Arts Audience, FY 2009

| Region | Gross Sales | Employee Income | Employment FTE Jobs |
|---------------------|--------------------|------------------------|----------------------------|
| Central | 142,893,310 | 46,152,450 | 2,105 |
| Lower Eastern Shore | 2,222,710 | 717,903 | 33 |
| Southern | 2,472,392 | 798,546 | 36 |
| Upper Eastern Shore | 9,405,591 | 3,037,868 | 139 |
| Capital | 172,654,380 | 55,764,841 | 2,544 |
| Western | 9,441,331 | 3,049,412 | 139 |
| Total | 339,089,714 | 109,521,021 | 4,996 |

Table 9: Total (Direct and Indirect) Impact of the Arts Audience, FY 2009

| Region | Gross Sales | Employee Income | Employment FTE Jobs |
|---------------------|--------------------|------------------------|----------------------------|
| Central | 276,996,766 | 92,060,997 | 3,148 |
| Lower Eastern Shore | 4,308,693 | 1,432,011 | 49 |
| Southern | 4,792,698 | 1,592,873 | 54 |
| Upper Eastern Shore | 18,232,612 | 6,059,682 | 207 |
| Capital | 334,688,202 | 111,234,980 | 3,804 |
| Western | 18,301,894 | 6,082,709 | 208 |
| Total | 657,320,864 | 218,463,252 | 7,471 |

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2009,
Department of Business and Economic Development Office of Research
Note: FTE denotes full-time equivalent jobs.

Table 10: Total Economic Impact of the Arts Industry, FY 2009

| Region | Gross Sales | Employee Income | Employment FTE Jobs |
|---------------------|----------------------|------------------------|----------------------------|
| Central | 556,298,730 | 221,170,504 | 5,982 |
| Lower Eastern Shore | 10,865,384 | 3,766,383 | 97 |
| Southern | 7,537,588 | 2,064,450 | 68 |
| Upper Eastern Shore | 30,023,133 | 9,206,714 | 276 |
| Capital | 506,909,327 | 178,897,465 | 5,286 |
| Western | 28,960,683 | 11,318,517 | 313 |
| Total | 1,140,594,844 | 426,424,033 | 12,022 |

Arts Industry: Includes both arts organizations and arts audiences
Includes Direct and Indirect Impacts

Table 11: Fiscal Impact of the Arts Industry, FY 2009

| Category | Direct | Indirect | Total |
|--|-------------------|-------------------|-------------------|
| State Taxes | | | |
| Retail Sales Tax | 16,382,910 | 3,034,041 | 19,416,950 |
| Personal Income Tax | 5,366,935 | 7,513,725 | 12,880,660 |
| Local Taxes | | | |
| Personal Income Surtax | 3,553,510 | 4,818,656 | 8,372,165 |
| Hotel Tax | 718,900 | - | 718,900 |
| Total of Selected State and Local Taxes | 26,022,254 | 15,366,422 | 41,388,675 |

Arts Industry: Includes both arts organizations and arts audiences

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